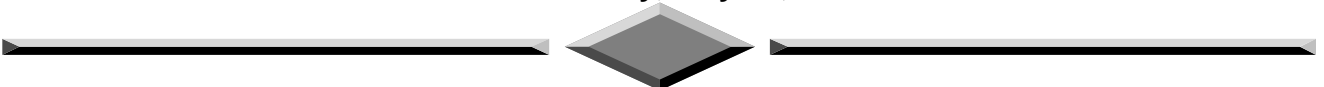


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, May 17, 2017**



The Board of Administration met on Wednesday, May 17, 2017 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 a.m. and the following members were present:

Rob Feckner, President
Henry Jones, Vice President
Michael Bilbrey
Jeree Glasser-Hedrick for John Chiang
Richard Costigan
Richard Gillihan
Dana Hollinger
JJ Jelincic
Ron Lind
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: None

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner spoke of the work members of the Board separately perform on behalf of CalPERS outside of Board meetings, such as meeting with active members, retirees, and employers, as well as the time members spend educating themselves about financial markets, risk management, health care trends, sustainability, and other issues that help contribute to well-informed decision-making by the Board. President Feckner thanked the Board Members for their dedication and countless hours they put in as fiduciaries on behalf of the members.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Frost reported on the following:

- The CEM Benchmarking analysis of investment cost effectiveness,
- The Employer Partner Financial Health Reports,
- Preliminary 2018 Health Care rates,

- An update on the Chief Financial Officer candidate search,
- 2017 Diversity Forum,
- Editorial Board discussions,
- The San Jose Regional Office visit,
- And the CalPERS APEX awards.

Ms. Frost congratulated Liana Bailey-Crimmins on her new position as Chief Health Director.

Ms. Frost recognized and congratulated the 53 APEX recipients.

b. Chief Investment Officer Report

Ted Eliopoulos, Chief Investment Officer, reported on the portfolio:

As of March 31, 2017, the total fund performance for the fiscal year-to-date is 8.0 percent. The three-year return of the total fund is 5.2 percent and the five-year return is at 8.0 percent. The ten-year return is at 4.6 percent and the 20-year return of the total fund is 7 percent. All asset allocations are within their policy ranges. The total fund assets are valued at \$314.7 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- Approval of April 19, 2017 Board of Administration Meeting Minutes
- Board Travel Approvals

On **MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- Board Agenda Item Calendar 2017
- Draft Agenda for June 21, 2017 Board of Administration Meeting
- General Counsel's Report
- Communications and Stakeholder Relations

AGENDA ITEM 7 – COMMITTEE REPORTS AND ACTIONS

a. Investment Committee

Henry Jones, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, May 15, 2017.

Additional information may be found in the May 15, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for June 19 2017 in Sacramento, California.

b. Pension and Health Benefits Committee

Priya Mathur, Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 16, 2017.

Additional information may be found in the May 16, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for June 20, 2017 in Sacramento, California.

c. Finance and Administration Committee

Richard Costigan, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 16, 2017 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year 2017-18 Annual Budget Proposal as a second reading in the amount of \$1,676,403,000 and 2,875 positions and approved the transmittal of this agenda item to the Joint Legislature Budget Committee, fiscal committee of the Legislature in accordance with the Budget Act of 2016. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed amendments to the Treasury Management Policy as part of the annual review required by the Policy. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed amendments to the Treasury Management Reserve Policy as part of the annual review required by the Policy. (FAC Item 6b)

Additional information may be found in the May 16, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for June 20, 2017 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

The Committee did not meet.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for June 20, 2017 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet.

The next meeting of the Risk and Audit Committee is scheduled for June 20, 2017 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet.

The next meeting of the Board Governance Committee is scheduled for June 20, 2017 in Sacramento.

AGENDA ITEM 8 – APPROVAL OF COMMITTEE DELEGATIONS

On **MOTION** by Ron Lind, and **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved recommended changes to committee delegations.

AGENDA ITEM 9 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Henry Jones and **SECONDED** by Richard Gillihan, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a and 9c through 9o, with the minor modifications argued by staff to agenda 9e and 9j; and remand agenda item 9b for the taking of additional evidence regarding, (a) whether the members' actual job duties constitute their own group or class of employment or, alternatively, (b) whether members' classification should determine whether the pay at issue meets the definition of holiday pay under PERL Regulation 57185.

AGENDA ITEM 10 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Henry Jones, **SECONDED** by Dana Hollinger and **CARRIED**, the Board denied the petitions for reconsideration at Agenda Items 10a through 10d.

AGENDA ITEM 11 – IT GOVERNANCE OVERVIEW

Ron Hurle, Interim Chief Information Officer and several CalPERS Team Members presented to the Board on IT Governance and project management.

AGENDA ITEM 12 – STATE AND FEDERAL LEGISLATION UPDATE

- a. Mary Anne Ashley, Legislative Affairs Division Chief, provided an update on State and Federal Legislation.

Public comment was given by Martha Turner representing Fossil Free California on SB 560.

AGENDA ITEM 13 – SUMMARY OF BOARD DIRECTION

Mr. Gillihan requested adding project dependency to the project score cards.

AGENDA ITEM 14 – PUBLIC COMMENT

Jim Auck, representing Corona Police Officers Association spoke on the divestment policies of CalPERS.

Bryan Snow, Corona Police Officer also spoke on CalPERS divestment policies.

The public meeting adjourned at approximately 11:11 a.m.

MARCIE FROST
Chief Executive Officer



Board of Administration Agenda Item 5b

May 17, 2017

Item Name: Board Travel Approvals

Program: Board of Administration

Item Type: Action Consent

Recommendation:

Approve travel requests as required under the Board of Administration's travel policy.

Over \$500/Out of State/Country Travel Requests Approved by Board President:

Board Member	Date	Destination	Purpose of Travel
Richard Costigan	6/3/17-6/8/17	Toronto, Canada	Attend International Centre for Pension Management Board Meeting

A handwritten signature in black ink, appearing to read "Rob Feckner".

ROB FECKNER, President
Board of Administration

May 17, 2017

This is intended as a guide for the Committee Chair. Other than the motions, this need not be read verbatim. The Chair may add context/comment as appropriate.

The Investment Committee met on May 15, 2017.

The Committee received reports on the following topics:

- Proposed changes to the Private Asset Class Roles and Benchmarks.
- Proxy voting activity during the first quarter of 2017, progress on shareowner campaigns and ongoing corporate engagement work.
- The Investment Office's Cost Effectiveness Strategic Objective.
- The Investment Office Roadmap and Target Operating Model (TOM).

The Chair directed staff to do the following:

- Consider the governance and investment implications of all of the securities with nonvoting status and provide a summary of findings at a future meeting,
- Provide the Committee with a link to the UN Global Principles, and
- Provide the Committee with a link to the full CEM report.
- Re-send information regarding Private Equity to the Investment Committee, in response to a member of the public's comment that the Committee had not received that information.

The Committee heard public comment on:

- Private Equity fees and expenses,
- CalPERS leadership in proxy voting and Corporate Governance,
- The value of transparency in reporting Private Equity fees, and
- The impact of divestment on fund returns.

At this time I would like to share some highlights of what to expect at the June Investment Committee meeting:

- Investment Manager Engagement Program Update,
- CalPERS for California Report 2016, and
- The adoption of Capital Markets Assumptions.

The next meeting of the Investment Committee is scheduled for June 19, 2017, in Sacramento, California.